



**STATE OF MISSISSIPPI**

DEPARTMENT OF CORRECTIONS

**CHRISTOPHER B. EPPS**  
COMMISSIONER

**November 9, 2004**

**FINANCIAL AUDIT FINDINGS**

Handmail

The Honorable Phil Bryant  
State Auditor, State of Mississippi  
501 N. West Street – Suite 801  
Jackson, MS 39201

Dear Mr. Bryant:

Listed below are the findings and recommendations of your office concerning the Mississippi Department of Corrections fiscal year 2004 audit, along with this Agency's response and corrective action plan for each finding.

**PRIOR YEAR FINDINGS NOT CORRECTED**

We continue to note the following condition which requires the attention of management. This matter, which does not currently have a material effect on the financial statements, involves internal control weaknesses or other matters. The finding and recommendation below is intended to improve or correct internal control structure weaknesses or other matters. However, we believe that the reportable condition described below is not a material weakness.

Finding 1:

Our review of the internal controls for Fund 8105, Parole Release Fees, determined that collections of fees and record keeping of these collections were not properly segregated. It has been noted a number of internal control checks are in place that would mitigate the effects of the above lack of segregation that have been shown to be effective in the past. However, the Parole Field Officers continue to collect the fees due from the parolee, maintain the records and make deposits of fees collected into an MDOC bank account. Therefore, until procedures are implemented that will separate these duties, we continue to note the current controls and/or segregation of these duties are not sufficient to accomplish the internal control objectives of the Agency.

**Recommendation:**

We are aware that one objective of the Agency is to centralize collection of supervision fees. Until such time, we continue to recommend that MDOC segregate the collection and record keeping functions and/or add additional controls. Some possible considerations include:

- (1) A central collections center could be instituted that would be responsible for collecting the above mentioned fees from the parolees and depositing these funds in the appropriate MDOC bank account in a timely fashion. An accounting of the activity could then be provided to the Parole Field Officers prior to the parolee's monthly visit.
- (2) Additional random internal audits could be performed on Parole Field Officers' records to ensure that all funds are appropriately being collected and timely deposited into the proper bank account. Although this would not result in better segregation of duties, additional oversight would reduce the possibility of misappropriation.
- (3) Additional analytical reviews of collections could be instituted in which the reviewer would analyze the collection patterns of each officer to detect any unusual patterns or inconsistencies. This would assist in providing certain assurance that material concerns are detected. This would also not result in better segregation of duties but would serve to identify potential problems and could be implemented in conjunction with recommendation (1) above.

**Response:**

We concur with the state auditor's findings regarding supervision fee collections. Increased internal audits and additional analytical review procedures will increase assurance that supervision fees are properly collected, posted and deposited in a timely manner. Collections are currently reviewed analytically to detect unusual fluctuation in collections.

Additionally, regarding segregation of the collection and recordkeeping functions the agency is testing the following collections method:

- We are involved in a pilot program using an independent agent to collect supervision fees from offenders in the Hinds County area. Offenders pay a small fee to agents located in the Jackson area for the service of transferring supervision fees to a central account and posting the transaction to the offender's account. An independent agent is currently in the process of setting up an agent-based network

throughout the state. Upon establishment of an agent-based system which provides adequate statewide coverage, MDOC will have the option of using agents to collect supervision fees throughout the state, removing the field officer from the collection function.

**Corrective Action Plan:**

- A. MDOC is exploring options regarding collecting supervision fees utilizing an independent collection agent.
- B. The responsible parties for implementation of an agent based collection system will be the Deputy Commissioner of Administration & Finance and the Deputy Commissioner of Community Corrections.
- C. MDOC is working towards having a central or agent based collection system in place prior to the end of Fiscal Year 2006.
- D. Not applicable

**CURRENT YEAR FINDINGS**

**Finding 1:**

Our review of accounting procedures for Fund 8091, Inmate Welfare Fund, determined that collections and transfers of telephone commission revenues were not being properly tracked. We have noted a number of controls that mitigate the opportunity for misappropriation of these funds. However, phone commissions are being received and subsequently transferred to the appropriate funds without proper oversight to ensure the transfers comply with the law governing this revenue source. The lack of appropriate procedures resulted in an overstatement of transfers to other funds of approximately \$119,000.

**Recommendation:**

We recommend MDOC track the phone commission collection and transferring of these funds to the appropriate accounts as provided by Section 47-5-158 of the Mississippi Code. A spreadsheet should be prepared on a monthly basis by an MDOC accountant detailing the receipts and transfers of telephone commissions during the month. The report should be tied to the general ledger, as well as bank statements, to ensure its accuracy. This report should be sent to the Deputy Commissioner of Finance each month.

Response:

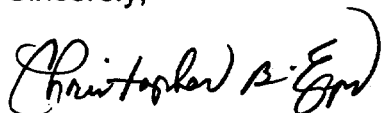
We concur with the State Auditor's finding regarding improper tracking of telephone commission revenues. The audit finding concerning accounting procedures for Fund 8091, Inmate Welfare Fund, has been reviewed. In September 2003, the data for this fund was transferred to a new accounting software package. During this process a journal entry was made incorrectly, thereby overstating the original amount due to other funds. This error has been rectified and can be seen in the Fiscal Year 2005 books.

Now that the initial starting balance on the new software has been corrected, phone commission activity can be easily tracked. Each month the general ledger will show the commission deposited for that month. When the commission is transferred out, the general ledger balance for phone commissions will go back to zero.

Corrective Action Plan:

- A. An adjusting entry has been posted to correct the overstatement.
- B. Richard Rogers, Accountant Auditor III
- C. The corrective action was completed in September 2004
- D. Not applicable

Sincerely,



Christopher B. Epps, Commissioner  
Mississippi Department of Corrections

CE/RM:vle/aa

Pc: Rick McCarty, Deputy Commissioner of Administration & Finance  
File